

2010-11 – 3rd QUARTER STATUS REPORT – Sr. Investment Officer, Real Estate (T. Eliopoulos)

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Quantitative Performance Measures

Total Fund

Weight	Performance Measure	Incentive Schedule	3 rd Quarter Status
40%	Excess return deviation in basis points relative to: Total Fund Performance Benchmark {SJ1CA1 – CPERST02}	-27 basis points = 0 +7 basis points = 1.0 +23 basis points = 1.5	+38 bps {18.62 – 18.24}

Real Estate Performance

Weight	Performance Measure	Incentive Schedule	3 rd Quarter Status
10%	Excess return deviation in basis points relative to: Total Real Estate Performance Benchmark: 90% weighted to NPI + 200 basis points and 10% to the FTSE EPRA NAREIT Global Total Return Real Estate Index. {SJRKA1 – CPERSRE}	0 basis points = 0 +30 basis points = 1.0 +45 basis points = 1.5	-731 bps {8.18 – 15.49}

Inflation-Linked Asset Class Performance

Weight	Performance Measure	Incentive Schedule	3 rd Quarter Status
10%	Excess return in basis points relative to benchmark of: CPI + 4%, lagged one month. {SX2CA1 – CPILAG4}	0 basis points = 0 +30 basis points = 1.0 +45 basis points = 1.5	+798 bps {12.44 – 4.46}

Transfer of Non-Strategic Partner Assets

Weight	Performance Measure	Incentive Schedule	3 rd Quarter Status
10%	Fully transfer no less than \$6 billion of GAV to eligible partners.	90%= 0 100%= 1.0 120%= 1.5	148% {\$1.484 billion}

Restructure of Real Estate Assets

Weight	Performance Measure	Incentive Schedule	3 rd Quarter Status
5%	Restructure \$1 billion of GAV.	90%= 0 100%= 1.0 120%= 1.5	120% {\$7.178 billion}

Qualitative Performance Measures *(All performance measures utilize standard Qualitative incentive schedule unless otherwise noted)*

Leadership

Weight	Performance Measure
15%	<ul style="list-style-type: none"> Investment Office Leadership and Management – By June 30, 2011, contribute to the value creation, capacity building, and organization support for the Investment Office by executing the following: <ul style="list-style-type: none"> Drive global leadership and financial market reform to improve investment performance and enhance delivery of services. Build organizational excellence by strengthening and reinforcing a value driven culture that fosters accountability, transparency, and integrity by utilizing Senn Delaney training and communication concepts. Mentor and develop staff through regular coaching and feedback. Ensure 95% completion rate for annual performance appraisals and employee development plans. Team Participation – Cross Asset Class Collaboration – By June 30, 2011, participate in and support cross asset class initiatives, such as the Investment Office Roadmap, Investment Strategy Group, Risk Management, and Governance initiatives to improve investment performance and processes. Individual Contributions – Asset Class Priorities – By June 30, 2011, implement asset class priorities which contribute to the success of your program by adopting innovative approaches and overcoming obstacles to improve investment performance and processes. Organizational Management Practices <ul style="list-style-type: none"> Maintain an average position vacancy rate of 5% or less through the fiscal year 2010-11. Ensure all Form 700 Statements of Economic Interest are filed by scheduled employees by the mandated due date of April 1, 2011. Ensure all scheduled employees complete the legally mandated AB 1234 ethics training by June 30, 2011. Maintain a 90% EPAD completion rate. Address and resolve all outstanding audit findings within 12 months of audit report. Dedicate 30 minutes per month for Employee Recognition during the year through fiscal year 2010-11.

3rd Quarter Status:

Leadership:

Investment Office Leadership and Management:

- Participated in INVO leadership forums.
- Attended the 9/10 INVO working values training.
- Attended the INVO speaker series.
- Supervised REU's response to both the Internal Control Framework Audit and Program Audit for Fiscal Year 2009-2010.
- Supervised REU's response to ECOM compliance audit for Fiscal Year 2009-2010.
- Supervised effort to formalize administrative processes for REU including timesheets and staff feedback (EPAD and Probation Reports).
- In tandem with the PM-PARO, created new PARO Governance Lead Position IO III, recruited and staffed position.
- Supervised IO III performance compensation calibration discussion with leadership team.
- Regularly met with staff to provide feedback, mentoring and coaching as appropriate.
- Supervised Public Record Act Responses for REU.
- Attended the 8/10 McKinsey risk forum.
- Actively Participated in the INVO risk Survey and Heat Map development workshop.
- Actively Participated in CalPERS-hosted ESG pension discussion in San Francisco in 10/10.
- Hosted the 2/11 REU "Alignment of Interests" workshop for INVO.
- Attended the 2/11 Enterprise Disability Awareness leadership training.
- Attended the 3/11 INVO Roadmap orientations.
- Attended the 3/11 Enterprise Succession Planning leadership workshop.
- Actively prepared proposed written travel guidelines for REU and INVO.

Team Participation – Cross Asset Class Collaboration:

- Transitioned Risk Cross-Asset Class Team sponsorship to new COIO.
- Led the INVO roadmap risk dashboard team.
- Led INVO roadmap risk projects.
- Actively participating in the ISG meetings.
- Actively participating in the discussion for the role of the asset classes in the total fund ALM process.
- Actively participated in creation of Real Assets in the Total Fund ALM process
- Actively participated in Role of Consultants in Private Asset Classes

Individual Contributions – Asset Class Priorities:

- Supervised the RE portfolio restructure team for asset transfers, restructures and buyouts.
- The REIT team completed the restructure from partially active to passive.
- Supervised the REU strategic plan team.
- Supervised the development of the role of real estate in the total fund ALM process.
- Participated in the 7/10 REU emerging markets forum.
- Supervised the 9/10 REU media strategy for the RE portfolio restructuring.
- Active participant in REU Strategic Plan Team. Efforts focused on crystallizing the role of real estate given the System's overall investment objectives.
- Active participant in monthly REU COIO meetings.
- Active participant in quarterly REU CIO meetings.
- Active participant in all weekly Real Asset Meetings, Board Consultant Meetings, and weekly staff leadership meetings.
- Active participant in all REU IRC discussions.
- Led the revision of the AREIS Hierarchy necessary to implement the 2011 Strategic Plan.
- Led REU discussions concerning manager terms; attended alignment of interest training.
- Led the revision of both the Real Assets and Real Estate Policies.
- Led or supervised various Public Record Act Responses for REU.

Organizational Management Practices:

- The REU has managed the position vacancy rate at 5% or below.
- The REU filed all Form 700s.
- The REU is on schedule for completion of ethics training.
- The REU maintained a 90% EPAD completion rate.
- The REU has addressed audit findings within 12 months of report.
- The REU has averaged 30 minutes per month for Employee Recognition.

Restructuring

Weight	Performance Measure
10%	<ul style="list-style-type: none"> • By December 31, 2010, complete Phase I of Asset Transfers & Manager Restructuring • By December 31, 2010, complete Phase II of Manager Reviews. • By December 31, 2010, complete revision of REU Strategic Plan • By June 30, 2011, complete Phase II of Asset Transfers & Manager Restructuring • By June 30, 2011, complete Implementation of REU Procedures Manual

3rd Quarter Status:

Restructuring the Real Estate Portfolio:

By December 31, 2010 - Complete Phase I of Asset Transfers & Manager Restructuring:

- REU has completed Phase I of manager restructurings as detailed below:
- Three restructurings were completed (\$ 1.2B GAV).
- Two buyouts were completed (Included in the \$ 1.2B of GAV above).
- Five transfers were completed (\$ 7.2B of GAV).

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By December 31, 2010 - Complete Phase II of Manager Reviews:

- REU has completed Phase II Manager Reviews which complete the entire Manager Review process for the Real Estate Program.

By December 31, 2010 - Complete revision of REU Strategic Plan:

- REU completed the revision to the 2010 Strategic Plan.
- The project team completed an INVO speaker series forum in 11/10.
- The project team completed a data set (historical and projected), a business model analysis and an implementation plan.
- The project team completed CIO ISG approval in 12/10.
- The Investment Committee approved the revised RE Strategic Plan in 2/11.
- REU began to develop detailed functional reorganization plans necessary to adopt the new Plan.

By December 31, 2010 – Other REU Work:

- The REU completed CIO ISG approval for \$ 2B of 2011 allocations.
- The REU completed CIO ISG approval for the real estate urban sector deleveraging plan which completes the entire Deleveraging Plan approval process for the Real Estate Program.

By June 30, 2011 - Complete Phase II of Asset Transfers & Manager Restructuring:

- REU is on track for completion of the Phase II Asset Transfers and Manager Restructurings.
- Two transfers were completed in 3Q.
- Two sales were completed in 3Q.

By June 30, 2011 - Complete Implementation of REU Procedures Manual:

- The REU is on track for completion of implementation of the procedures manual.
- REU staff orientation and training continued 3Q and is on track for completion with goal.